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GA MANUFACTURERS SEE ITC PROVISION AS 'LONG AWAITED CATALYST'

News that tax reform legislation will include a provision allowing buyers of general aviation aircraft to take advantage of the Investment Tax Credit brought overall gratification from U.S. general aviation interests but left foreign manufacturers angered at being "left off the playing field."

Tax reform bill generally eliminates use of the 10 percent ITC for goods purchased after Jan. 1, 1986, but conferees adopted a provision that permits use of the ITC by persons who buy an aircraft by Dec. 31, 1986 and put it into service by July 1, 1987 (BA, Sept. 22/91). The provision applies only to aircraft of 19 or fewer seats that are already built or under construction, and as originally stated, was limited to aircraft manufactured in Kansas, Florida, Georgia, or Texas. A spokesman for Gates Learjet Corp. said aircraft manufactured in Arizona were added to the provision last Thursday. "We don't know why we were initially left out," he said, "but we are thankful for this badly needed action. We see it as a very positive action for fourth quarter sales."

Cessna Chairman Russell Meyer said the transition rule "though limited in time and scope, represents a major opportunity for the manufacturers in the country to reduce their aircraft inventory and generate a backlog of orders for the first half of 1987." A spokesman for Beech Aircraft Corp. said the proposal would provide a short-term, much needed stimulant resulting in a decrease in the aircraft manufacturer's inventory." Meyer said the legislation could "well provide the much awaited catalyst to turn the entire industry around, especially for turbine aircraft." Roy Bergstrom, senior vice president of marketing for Falcon Jet said he was "very disappointed" with the new law. "The intent (in maintaining the ITC) seemed to have available a playing field, the one we have now is not level."

REP. MINETA EXPRESSES DISAPPOINTMENT WITH 'UNFINISHED AGENDA'

Rep. Norman Mineta (D-Calif.) expressed disappointment with the large number of unfinished aviation-related items on the House agenda and said while the Federal Aviation Administration's inspection program has been strengthened, other FAA activities have "not improved at the pace called for by the public, the industry, and the Congress."

Speaking before the Aero Club of Washington, D.C. last week, Mineta predicted a major effort to remove the Trust Fund from the federal budget. He said any reauthorization effort by the House of Representatives will "have to seriously consider an off-budget concept so that safety and capacity needs of the aviation system can be adequately addressed." He said the "burden is on those who are opposed to taking the trust fund off budget to demonstrate why they believe the current system is working and serving the traveling public."

Mineta said he was also concerned with the "growing imbalance" between the user taxes and the level of the progams supported by those taxes. He said the funds must be allowed "to do what they were collected to do. If all else fails, we must consider not reauthorizing the taxes and using up the surplus or putting in a trigger tax...it might take that degree of attention to get OMB and the President's interest."

Mineta criticized the rate at which the number of air traffic controllers were being increased, saying "targets and promises have not been fulfilled...actual increases have come haltingly and far more

(Continued on the following page)

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AIRPORT & AIRWAY TRUST FUND
Status As Of July 31, 1986

	CURRENT MONTH	FISCAL YEAR TO DATE
I. BALANCE - BEGINNING OF PERIOD	$ 8,443,243,167.79	$ 7,425,506,743.43
II. RECEIPTS:		
A. Excise Taxes (Transferred from General Fund):		
Any liquid fuel except gas	5,900,000.00	56,712,000.00
Tires used on aircraft	0.00	0.00
Tubes used on aircraft	0.00	0.00
Gasoline		
1. Commercial 9 cents tax	232,000.00	2,257,000.00
2. Non-commercial 9 cents tax	1,937,000.00	30,035,000.00
3. Non-commercial 7 cents tax	616,000.00	9,748,000.00
4. Transp by air,seats,berths,etc.	231,788,000.00	2,001,019,000.00
Use of international trav fac	9,146,000.00	72,462,000.00
Transp of property and cargo	12,832,000.00	112,592,000.00
Total Tax Receipts	261,451,000.00	2,284,825,000.00
B. Less Reimbursement to General Fund - Refund of Taxes and Estimated Tax Credits :		
1. Civil aircraft	0.00	-1,014.00
2. Any liquid fuel except gas	0.00	-6,846,996.00
3. Gasoline -Retailer's tax	0.00	-582,790.00
4. Gasoline -Manufac. tax	0.00	-44,987.00
Total Reimburse For Tax Refunds	0.00	-7,475,787.00
Net Tax Receipts	261,451,000.00	2,277,349,213.00
C. Interest on Investments	532,585.23	828,282,319.37
Net Receipts	261,983,585.23	3,105,631,532.37
III. EXPENDITURES :		
A. Federal Aviation Administration :		
1. Operations	-10.00	428,346,635.34
2. Grants-in-aid for airports	77,888,848.77	703,478,797.93
3. Facilities & equipment	64,135,778.46	604,910,594.08
4. Research engineering & development	33,726,581.13	243,922,412.79
B. NOAA weather services	0.00	20,998,350.00
C. Interest on Refund of Taxes	0.00	935.00
Total Expenditures	175,751,198.36	2,001,657,725.14
IV. BALANCE - END OF PERIOD	8,529,480,550.66	8,529,480,550.66

STATEMENT OF FINANCIAL CONDITION

ASSETS		
Undisbursed Balances:		$
Airport & Airway Trust Fund	191.49	
Operations	-4,675.34	
Grants-in-aid for Airports	3,670,329.83	
Facilities & Equipment	-59,581,309.72	
Research Engineering & Development	88,120,325.40	
NOAA weather services	0.00	
		$ 32,204,900.66
Investments :		
U.S. TREASURY CERTIFICATES OF INDEBTEDNESS:		
9-1/2% maturing JUNE 30, 1987	$ 73,543,000.00	
9-3/4% maturing JUNE 30, 1987	8,423,731,000.00	
		8,497,274,000.00
Total Assets		8,529,478,900.66
LIABILITIES:		0.00
EQUITY:		
Excess of Assets over Liabilities		$ 8,529,478,900.66
Total Liabilities and Equity		8,529,478,900.66

Treasury Department Chart